

XVI - F Dishonored Checks/Other Cash Activities

This chapter includes a discussion of dishonored checks, stale dated checks/warrants, and miscellaneous accounting activities related to cash receipts. These activities require specific procedures for their handling and recording.

DISHONORED CHECKS

Each agency makes an arrangement with their local bank for the replacement of funds for a dishonored check. According to the arrangement, the bank notifies the agency when a check is dishonored. Upon notification, the agency prepares a check payable to the bank for the amount of the dishonored check. The check is immediately deposited at the bank.

Accounting For Dishonored Checks

Step 1 - Determine how the dishonored check was originally posted in CALSTARS. Refer to the batch that posted the dishonored check. The batch number can be determined by referring to the Online History File, a history report, e.g. H06, or to the Report of Deposit. The TC used to post the original deposit determines which General Ledgers (GLs) are impacted as shown in the chart below.

TC	DEBITS GL	CREDITS GL
101	1110	8000
102	1110	8100
104	1110	9000
107	1110	9891
108	1110	3730
109	1110	3400
111	1110	9830
154	1110	3500

Step 2 - Post the automated or manual check payable to the bank and establish an Accounts Receivable. Posting the check essentially reverses the accounting impact of the original deposit transaction. Refer to the chart below to determine which TC is used to post the check.

NOTE: The coding used in the check transaction, e.g., Index, PCA, Object, etc., must be the same that was used in the original deposit transaction.

IF ORIGINAL DEPOSIT TC WAS:	USE THE TC BELOW TO POST AN AUTOMATED CHECK	OR	USE THE TC BELOW TO POST A MANUAL CHECK	TO	DEBIT GL	CREDIT GL
101	292		426		8000	1110
102	293		427		8100	1110
104	294		428		9000	1110
107	N/A		449		9891	1110
108	289		438		3730	1110
109	858		450		3400	1110
111	295		429		9830	1110
154	495		435		3500	1110

Step 3 - Establish an Accounts Receivable for the dishonored check, if appropriate, with the following:

TC 436 – Establish A/R – Dishonored Checks
 Dr. 1315 Accounts Receivable Dishonored Checks
 Cr. 1600 Provision For Deferred Receivables

Reporting Requirements For Dishonored Checks

At year-end, the A-10 entry is required for dishonored checks if they are considered collectible during the next year. Refer to Volume 7, Chapter II for detailed information about this entry.

Each July agencies report the number of dishonored checks for the previous fiscal year to the State Treasurer's Office (STO). This information is used by the STO for negotiating the State's compensating bank balance requirements.